LARRY EDELMAN

The job market recovery continued in July, but so did the pain for millions

More people found work last month, but there are doubts about whether the growth can be sustained

By **Larry Edelman** Globe Staff, Updated August 7, 2020, 11:04 a.m.

Employers nationwide added 1.8 million jobs in July, but the pace of growth is slowing. AFP VIA GETTY IMAGES

The US job market extended its recovery in July despite the spread of coronavirus cases around the country, but the pace of improvement slowed as millions of families faced the end of extra jobless benefits.

Employers added 1.8 million jobs last month and the unemployment rate fell to 10.2 percent from 11.1 percent, the US Bureau of Labor Statistics said Friday in its monthly employment report. Both measures exceeded analysts’ forecasts.

After the devastating loss of 22 million jobs in March and April, the economy added back more than 9 million positions in the past three months. Under normal circumstances, that would be a blowout performance, but these times are anything but normal.

More than 16 million people remained unemployed in July, and another 8 million were working part-time hours when they wanted to be full time.

Even after declining by 0.9 of a percentage point, the jobless rate is higher than it was at any time during or after the Great Recession. States, including Massachusetts on Friday, are reimposing some coronavirus restrictions amid stubbornly high infection rates, a course correction that may hold back the economy.

And Congress is deadlocked over another economic rescue plan, including whether to resume the $600 a week in extra jobless benefits that is credited with helping prop up consumer spending. President Trump is weighing whether to act on his own through an executive order to restore some safety-net provisions.

“The economy fell off a cliff at the end of the first quarter of 2020 and we have been slowly climbing back ever since, thanks in large part to government support,” said Tony Bedikian, head of global markets at Citizens Bank in Boston. His expectation that job growth can be sustained is based on “continued stimulus and the general reopening of businesses,” he said.

US employers added 2.7 million workers in May and 4.8 million in June. The deceleration last month wasn’t a surprise after the big burst of hiring when states first began to reopen. But it also underscores the deep uncertainty among employers who are struggling with revenue significantly below pre-pandemic levels.

As usual, the surveys used to prepare the jobs report were completed mid-month and don't reflect the possible impact of the rise in COVID-19 cases in the last two weeks of July.

Job gains last month were driven by industries crushed by the shutdowns starting in March. Employment in the leisure and hospitality sector, which includes restaurants and bars, surged by 592,000 Despite the increase, there are 2.6 million fewer jobs at dining and drinking establishments alone than in February.

Retailers added 258,000 jobs, but payrolls are still more than 900,000 below the February mark.

While he was encouraged to see a pickup among stores and restaurants, "both industries are vulnerable to a reversal of reopening measures if COVID-19 case counts continue to surge in certain parts of the country," said Dan Kern, chief investment officer at TFC Financial in Boston.

Among demographic groups, the jobless rate fell among men (9.4 percent) and women (10.5 percent), as well as for white workers (9.2 percent), Asians (12 percent), and Hispanics (12.9 percent). The jobless rate for Black workers was little changed at 14.6 percent.

Jason Furman, a Harvard Kennedy School economics professor and former chairman of the Council of Economic Advisers for Barack Obama, estimates the "realistic" unemployment rate — which adjusts for a problem classifying some workers that started skewing numbers during the pandemic, and the unusually large decline in labor force participation — at 12 percent.

In a blog post, Furman and Wilson Powell III, a Kennedy School colleague, also calculated a "full recall unemployment" rate of 7 percent, which makes the optimistic assumption that the 8.4 million workers who reported being on temporary layoff since February are immediately called back to work. That would be more than double the standard jobless rate immediately before the pandemic.

Here are some other trends that emerged from the monthly report:

There is a lot of churn in the job market. The number of workers on temporary layoff fell by 1.3 million in July to 9.2 million. But the number of people who permanently lost their paycheck was stuck at an elevated 2.9 million. The same was true for the number of people, 2.4 million, who jumped back into the job market but had yet to find employment.

Employers are hedging their bets by adding part-time jobs. In July, the number of people who typically work part time rose by 803,000 to 24 million, while the number who usually work full time was flat at 119.5 million.

Layoffs continue. The number of people recently put out of work — those who were jobless less than 5 weeks — increased by 364,000 to 3.2 million in July. During the month 5.5 million new jobless claims were filed nationally, according to a separate BLS report on Thursday.

It can take a while to get rehired or find a new job. The number of people without a job for 15 to 26 weeks rose by 4.6 million to 6.5 million, and those who had been unemployed for more than 27 weeks was little changed at 1.5 million.

For Andrew Stettner, who researches unemployment for Century Foundation, these trends add up to a troubled labor market where "the nature of unemployment is evolving from initial temporary joblessness to more permanent layoffs."

Noting the expiration of enhanced jobless pay, he added, "A return to steady work remains out of reach for millions of Americans. It's not too late for Congress to provide these workers with a desperately needed measure of security in the form of additional pandemic unemployment aid."

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